

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Charter Township of Texas	County Kalamazoo
Fiscal Year End December 31, 2006	Opinion Date February 21, 2007	Date Audit Report Submitted to State April 23, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

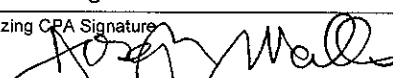
YES NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>	No further communication required	
Certified Public Accountant (Firm Name) Siegfried Crandall P.C.	Telephone Number 269-381-4970		
Street Address 246 East Kilgore Road	City Kalamazoo	State MI	Zip 49002
Authorizing CPA Signature 	Printed Name Joseph M. Walls, CPA	License Number 1101013696	

Charter Township of Texas
Kalamazoo County, Michigan
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT
Year ended December 31, 2006

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Charter Township of Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Charter Township of Texas' (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended December 31, 2006. Please read it in conjunction with the Township's financial statements.

FINANCIAL HIGHLIGHTS

- The Township's total net assets increased by \$400,181 (3 percent) as a result of this year's activities.
- Of the \$15,012,283 total net assets reported, \$4,628,565 (31 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1,982,853, which represents 123 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds, as well as additional information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
 - Governmental fund statements tell how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business.
 - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

Charter Township of Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Government-wide financial statements

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors, such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as police protection, fire protection, and general government. Property taxes and state revenue finance most of these activities.
- *Component unit* - The Township includes one other entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the Township is financially accountable for them.

Fund financial statements

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township Board establishes other funds to control and manage money for particular purposes (like Revolving Improvement Fund, a nonmajor fund) or to show that it is properly using certain other revenues (like special assessments collected for the Lakes Sewer Debt Fund).

The Township has three kinds of funds:

- **Governmental funds.** Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out and, (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statements that explains the relationship between them.

Fund financial statements (Continued)

- Proprietary fund. Services for which the Township charges customers a fee are generally reported in proprietary fund. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information.
 - In fact, the Township's enterprise fund (one type of proprietary fund) is the same as its business-type activities but the fund financial statements provide more detail and additional information, such as cash flows.
- Fiduciary funds. These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

Net assets. Total net assets at the end of the fiscal year were \$15,012,283, an increase of 3 percent compared to the prior year. Of this total, \$8,379,095 is invested in capital assets (net of related debt) and \$2,004,623 is restricted for various purposes. Consequently, unrestricted net assets were \$4,628,565, or 31 percent of the total.

Condensed financial information
Net Assets

	<i>Governmental activities</i>	
	<u>2006</u>	<u>2005</u>
Current assets	\$ 6,489,327	\$ 6,516,216
Noncurrent assets	<u>12,124,307</u>	<u>12,148,409</u>
Total assets	<u>18,613,634</u>	<u>18,664,625</u>
Current liabilities	1,206,483	1,326,249
Noncurrent liabilities	<u>2,394,868</u>	<u>2,726,274</u>
Total liabilities	<u>3,601,351</u>	<u>4,052,523</u>
Net assets:		
Invested in capital assets, net of related debt	8,379,095	7,923,835
Restricted	2,004,623	2,270,999
Unrestricted	<u>4,628,565</u>	<u>4,417,268</u>
Total net assets	<u>\$ 15,012,283</u>	<u>\$ 14,612,102</u>

Changes in net assets. The Township's total revenues are \$2,740,139. Nearly 18 percent of the Township's revenues come from property taxes, 27 percent come from charges for services and another 28 percent come from State Shared Revenue.

The total cost of all the Township's programs, covering a wide range of services, totaled \$2,339,958. More than 34 percent of the Township's costs relate to the provision of general government. Public safety costs account for 34 percent of the costs and public works costs account for 20 percent of the Township's total costs.

Condensed financial information
Changes in net assets

	<i>Governmental activities</i>	
	<u>2006</u>	<u>2005</u>
Program revenues:		
Charges for services	\$ 733,238	\$ 819,519
Operating grants and contributions	9,263	8,521
Capital grants and contributions	373,798	999,427
General revenues:		
Property taxes	481,037	444,664
State shared revenue	753,815	735,728
Franchise fees	57,643	53,751
Interest income	295,365	164,260
Miscellaneous	35,980	4,743
Total revenues	<u>2,740,139</u>	<u>3,230,613</u>
Expenses:		
Legislative	24,027	26,225
General government	789,267	718,299
Public safety	787,240	697,524
Public works	479,001	433,609
Community and economic development	116,505	133,043
Culture and recreation	22,586	26,839
Interest	121,332	134,746
Total expenses	<u>2,339,958</u>	<u>2,170,285</u>
Increase in net assets	<u>\$ 400,181</u>	<u>\$ 1,060,328</u>

Governmental activities. Governmental activities increased the Township's net assets by \$400,181. The increase was primarily the result increased property taxes and interest, the receipt of capital grants, and of ongoing efforts to control costs.

The cost of all governmental activities this year was \$2,339,958. After subtracting the direct charges to those who directly benefited from the programs (\$733,238), and operating and capital grants (\$383,061), the "public benefit" portion covered by taxes, state revenue sharing, and other general revenues was \$1,223,659.

FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS

Governmental funds. As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$5,324,352, an increase of \$8,714 in comparison with the prior year. Of the total fund balances, \$4,565,565 (86 percent) is available for spending at the Township's discretion, while \$11,061 is held for public works, and \$747,726 is available for debt service.

The General Fund is the chief operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1,982,853, an increase of \$229,557 during the fiscal year primarily due to increased property tax revenues and interest earned on investments.

The Sewer & Water Fund experienced a decrease in fund balance of \$76,878. The decrease was the result of a transfer to Lakes Sewer Debt Fund for debt service requirements. These funds will be repaid in the future, as special assessments are collected.

The Lakes Sewer Debt Fund and the Rudgate 1, 2, & 3 Debt Fund both experienced decreases in fund balance of \$89,110 and \$22,101, respectively. The decreases resulted from debt service requirements in excess of the current collections of special assessments.

Proprietary fund. The Building Inspections Fund experienced an operating loss of \$44,716. Net assets are \$248,812 at year end.

Charter Township of Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

General Fund budgetary highlights

The final amended budget for expenditures was increased by \$148,300 over the original budget to cover additional capital outlays related to federal grants programs, and to cover various other general governmental and public safety costs.

Capital assets and debt administration

Capital assets

The Township's investment in capital assets for its governmental and business-type activities as of December 31, 2006, amounts to \$11,193,963 (net of accumulated depreciation). This investment includes a broad range of assets, including buildings and improvements, fire equipment and vehicles, and sewer, water and road infrastructure. The increase in the Township's net investment in capital assets for the current fiscal year was \$135,178.

Major capital asset events during the current fiscal year included the following:

- Fire equipment purchase through federal grant amounted to \$123,677
- NCC Parkway Water and Sewer Project amounted to \$149,795
- 10th Street Water and Sewer Extension in the amount of \$149,114
- 10th Street repaving improvements for \$32,953
- Voting equipment acquired through a federal grant in the amount of \$32,335

More detailed information about the Township's capital assets is presented in Note 6 of the notes to the basic financial statements.

Long-term debt

At the end of the fiscal year, the Township had total long-term bonds outstanding in the amount of \$2,764,000, which represents a decrease of \$405,000 or 12.7 percent. Of this amount, \$2,764,000 comprises debt backed by the full faith and credit of the Township.

State statutes limit the amount of general obligation debt the Township can issue to 10 percent of its total state equalized assessed value of property. The Township's total general obligation debt \$2,764,000 is significantly lower than the current state-imposed limit of \$64,841,815.

More detailed information about the Township's long-term liabilities is presented in Note 10 of the notes to the basic financial statements.

Economic condition and outlook

The Township has experienced a lower growth rate in residential development than in the prior year, and expects to be somewhat affected by the economic uncertainties currently facing the State of Michigan. This lower rate of growth may negatively impact the rate of property tax revenue increases, and the total amount of fees generated by the Township's building inspections department. State revenue sharing may also be impacted negatively as the State revises its budget during the year. However, the Township expects that, in total, revenues will remain stable for 2007.

Contacting the Township's financial management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Linda Kerr, Township Clerk
Charter Township of Texas
7110 West Q Avenue
Kalamazoo, MI 49009

Phone: (269) 375-1591

INDEPENDENT AUDITORS' REPORT

**Board of Trustees
Charter Township of Texas, Michigan**

We have audited the accompanying financial statements of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Texas, Michigan, as of December 31, 2006, and for the year then ended, which collectively comprise the Township's basic financial statements, as listed in the contents. These financial statements are the responsibility of Charter Township of Texas, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely-presented component unit, each major fund, and the aggregate remaining fund information of Charter Township of Texas, Michigan, as of December 31, 2006, and the respective changes in financial position and where applicable, cash flows, thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 14 to the financial statements, the Township corrected errors in its methods of revenue recognition for certain assessments and interest.

The management's discussion and analysis and budgetary comparison information, on pages i through vii and 26 through 27, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Board of Trustees
Charter Township of Texas, Michigan
Page 2**

The Charter Township of Texas, Michigan has not presented the budgetary comparison information for the Sewer and Water Fund that U.S generally accepted accounting principles require to supplement, although not be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Texas, Michigan, basic financial statements. The supplementary information, as listed in the contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information designated as "Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure" in the contents is also presented for the purpose of additional analysis and is not a required part of the basic financial statements of the Charter Township of Texas, Michigan. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion thereon.

Sigfried Crandall P.C.

February 21, 2007

BASIC FINANCIAL STATEMENTS

Charter Township of Texas
STATEMENT OF NET ASSETS
December 31, 2006

	<u>Primary government Governmental activities</u>	<u>Component unit</u>
ASSETS		
Current assets:		
Cash	\$ 5,656,611	\$ 24,303
Receivables, net	753,871	10,058
Due from component unit	10,000	-
Prepaid expenses	68,845	-
Total current assets	<u>6,489,327</u>	<u>34,361</u>
Noncurrent assets:		
Receivables, net	829,682	-
Due from component unit	20,000	-
Capital assets not being depreciated	69,220	-
Capital assets, net of depreciation	11,124,743	51,700
Unamortized bond issue costs	80,662	-
Total noncurrent assets	<u>12,124,307</u>	<u>51,700</u>
Total assets	<u>18,613,634</u>	<u>86,061</u>
LIABILITIES		
Current liabilities:		
Payables	78,982	-
Due to primary government	-	10,000
Deferred revenue	707,501	17,313
Bonds payable	420,000	-
Total current liabilities	<u>1,206,483</u>	<u>27,313</u>
Noncurrent liabilities:		
Due to primary government	-	20,000
Bonds payable	2,394,868	-
Total noncurrent liabilities	<u>2,394,868</u>	<u>20,000</u>
Total liabilities	<u>3,601,351</u>	<u>47,313</u>
NET ASSETS		
Invested in capital assets, net of related debt	8,379,095	-
Restricted for:		
Public safety	234,892	-
Public works	197,796	-
Debt service	1,571,935	-
Unrestricted	4,628,565	38,748
Total net assets	<u>\$ 15,012,283</u>	<u>\$ 38,748</u>

See notes to financial statements

Charter Township of Texas
STATEMENT OF ACTIVITIES
Year ended December 31, 2006

		<u>Program Revenues</u>		
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>
		<u>services</u>	<u>grants and</u>	<u>grants and</u>
Functions/Programs	<u>Expenses</u>		<u>contributions</u>	<u>contributions</u>
Primary government:				
Governmental activities:				
Legislative	\$ 24,027	\$ -	\$ -	\$ -
General government	789,267	215,275	-	32,335
Public safety	787,240	210,835	-	107,838
Public works	479,001	178,841	9,263	233,625
Community and economic development	116,505	68,523	-	-
Culture and recreation	22,586	-	-	-
Interest and fees	<u>121,332</u>	<u>59,764</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$2,339,958</u>	<u>\$ 733,238</u>	<u>\$ 9,263</u>	<u>\$ 373,798</u>
Component unit - DDA	<u>\$ 3,827</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State shared revenue				
Franchise fees				
Investment return				
Other				
Total general revenues				
Change in net assets				
Net assets - beginning				
Net assets - ending				

**Net revenues (expenses) and
changes in net assets**

**Primary
government**

<u>Governmental activities</u>	<u>Component unit</u>
---	----------------------------------

\$ (24,027)
(541,657)
(468,567)
(57,272)

(47,982)
(22,586)
(61,568)

(1,223,659)

\$ (3,827)

481,037	17,187
753,815	-
57,643	-
295,365	-
<u>35,980</u>	<u>-</u>

<u>1,623,840</u>	<u>17,187</u>
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400,181	13,360
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<u>14,612,102</u>	<u>25,388</u>
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<u>\$ 15,012,283</u>	<u>\$ 38,748</u>
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See notes to the financial statements

Charter Township of Texas
BALANCE SHEET - governmental funds
December 31, 2006

	<u>General</u>	<u>Sewer & Water</u>	<u>Lakes Sewer Debt</u>
ASSETS			
Cash	\$ 2,022,488	\$ 1,556,298	\$ 40,037
Receivables	403,133	186,346	408,199
Due from component unit	30,000	-	-
Prepaid expenses	68,845	-	-
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,524,466</u>	<u>\$ 1,742,644</u>	<u>\$ 448,236</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ 17,868	\$ 956	\$ -
Deferred revenue	523,745	176,153	370,072
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>541,613</u>	<u>177,109</u>	<u>370,072</u>
Fund balances - undesignated	1,982,853	1,565,535	78,164
Undesignated, reported in nonmajor:			
Special revenue funds	-	-	-
Debt service funds	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	<u>1,982,853</u>	<u>1,565,535</u>	<u>78,164</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 2,524,466</u>	<u>\$ 1,742,644</u>	<u>\$ 448,236</u>

Fund balance - total governmental funds

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Special assessments receivable are not available to pay for the current period's expenditures and, therefore, are deferred in the funds.

Interest receivable is not a current financial resource and, therefore, is not reported in the funds.

Bond issuance costs are not a current financial resource and, therefore, are not reported in the funds.

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds.

Net assets of the Building Inspections Fund that have been combined with those of *governmental activities*.

Interest related to long-term liabilities is not due and payable in the current period and, therefore, is not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Net assets of *governmental activities*

<i>Rudgate 1, 2, & 3 Debt</i>	<i>Total nonmajor governmental funds</i>	<i>Total governmental funds</i>
\$ 143,141	\$ 1,658,208	\$ 5,420,172
232,027	290,848	1,520,553
-	-	30,000
-	-	68,845
<u>\$ 375,168</u>	<u>\$ 1,949,056</u>	<u>\$ 7,039,570</u>
\$ -	\$ 36,711	\$ 55,535
215,854	373,859	1,659,683
<u>215,854</u>	<u>410,570</u>	<u>1,715,218</u>
159,314	-	3,785,866
-	1,028,238	1,028,238
-	510,248	510,248
<u>159,314</u>	<u>1,538,486</u>	<u>5,324,352</u>
<u>\$ 375,168</u>	<u>\$ 1,949,056</u>	<u>\$ 7,039,570</u>
		\$ 5,324,352
		952,182
		63,000
		80,662
		11,180,043
		248,812
		(21,900)
		<u>(2,814,868)</u>
		<u>\$ 15,012,283</u>

See notes to financial statements

Charter Township of Texas**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds**

Year ended December 31, 2006

	<u>General</u>	<u>Sewer & Water</u>	<u>Lakes Sewer Debt</u>
REVENUES			
Taxes	\$ 664,432	\$ -	\$ -
Licenses and permits	58,018	-	-
Federal grants	107,838	-	-
State grants	763,078	-	-
Charges for services	139,610	61,349	9,850
Fines and forfeitures	3,282	-	-
Interest and rentals	134,586	94,032	27,506
Other	35,980	24,914	76,870
Total revenues	<u>1,906,824</u>	<u>180,295</u>	<u>114,226</u>
EXPENDITURES			
Legislative	24,027	-	-
General government	723,971	750	950
Public safety	454,413	-	-
Public works	100,810	156,423	4,094
Community and economic development	123,462	-	-
Culture and recreation	9,119	-	-
Capital outlay	175,465	-	-
Debt service:			
Principal	-	-	231,000
Interest	-	-	56,122
Total expenditures	<u>1,611,267</u>	<u>157,173</u>	<u>292,166</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>295,557</u>	<u>23,122</u>	<u>(177,940)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	4,000	-	100,000
Transfers out	(70,000)	(100,000)	(11,170)
Total other sources (uses)	<u>(66,000)</u>	<u>(100,000)</u>	<u>88,830</u>
NET CHANGES IN FUND BALANCES	229,557	(76,878)	(89,110)
FUND BALANCES - BEGINNING	<u>1,753,296</u>	<u>1,642,413</u>	<u>167,274</u>
FUND BALANCES - ENDING	<u>\$ 1,982,853</u>	<u>\$ 1,565,535</u>	<u>\$ 78,164</u>

<u>Rudgate 1, 2, & 3 Debt</u>	<u>Total nonmajor governmental funds</u>	<u>Total governmental funds</u>
\$ -	\$ -	\$ 664,432
-	-	58,018
-	-	107,838
-	-	763,078
-	121,772	332,581
-	-	3,282
17,852	78,679	352,655
<u>24,687</u>	<u>186,795</u>	<u>349,246</u>
 42,539	 387,246	 2,631,130
-	-	24,027
250	1,950	727,871
-	-	454,413
412	321,744	583,483
-	-	123,462
-	-	9,119
-	-	175,465
34,000	140,000	405,000
<u>18,190</u>	<u>45,264</u>	<u>119,576</u>
 52,852	 508,958	 2,622,416
 (10,313)	 (121,712)	 8,714
-	92,958	196,958
<u>(11,788)</u>	<u>(4,000)</u>	<u>(196,958)</u>
 (11,788)	 88,958	 -
(22,101)	(32,754)	8,714
<u>181,415</u>	<u>1,571,240</u>	<u>5,315,638</u>
<u>\$ 159,314</u>	<u>\$ 1,538,486</u>	<u>\$ 5,324,352</u>

See notes to financial statements

Charter Township of Texas

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES - governmental funds (Continued)**

Year ended December 31, 2006

Reconciliation of the statement of revenues, expenditures, and
changes in fund balances to the statement of activities:

Net changes in fund balances - total governmental funds \$ 8,714

Amounts reported for *governmental activities* in the statement of activities
(page 6) are different because:

Capital assets:

Assets acquired	509,633
Provision for depreciation	(363,517)
Disposal of assets	(6,298)

Long-term debt:

Principal repayments	412,267
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Changes in other assets/liabilities:

Net increase in accrued interest revenue	16,000
Net decrease in bond issuance costs	(11,523)
Net decrease in accrued interest expense	2,500
Net decrease in deferred revenue	(122,879)

Change in net assets of the Building Inspections Fund have been combined with
those of the *governmental activities*. (44,716)

Changes in net assets of *governmental activities* \$ 400,181

Charter Township of Texas
STATEMENT OF NET ASSETS - *proprietary fund*
December 31, 2006

	<u>Building inspections</u>
ASSETS	
Current assets - cash	\$ 236,439
Noncurrent assets - capital assets, net of accumulated depreciation	<u>13,920</u>
Total assets	250,359
LIABILITIES	
Payables	<u>1,547</u>
NET ASSETS - unrestricted	<u><u>\$ 248,812</u></u>

The assets, liabilities, and net assets of the Building Inspections Fund have been combined with those of *governmental activities*.

Charter Township of Texas
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET
ASSETS - proprietary fund
Year ended December 31, 2006

	<u>Building inspections</u>
OPERATING REVENUES	
Charges for services - licenses and permits	\$ 207,553
OPERATING EXPENSES	
Salaries and fringe benefits	193,892
Supplies	53,737
Depreciation	<u>4,640</u>
Total operating expenses	<u>252,269</u>
CHANGE IN NET ASSETS	(44,716)
NET ASSETS - BEGINNING	<u>293,528</u>
NET ASSETS - ENDING	<u>\$ 248,812</u>

The revenues and expenses of the Building Inspections Fund have been combined with those of the *governmental activities*.

Charter Township of Texas
STATEMENT OF CASH FLOWS - proprietary fund
Year ended December 31, 2006

	<u>Building inspections</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 207,553
Payments to suppliers	(93,259)
Payments to employees	<u>(153,678)</u>
NET DECREASE IN CASH	(39,384)
CASH - BEGINNING	<u>275,823</u>
CASH - ENDING	<u><u>\$ 236,439</u></u>
 Reconciliation of changes in net asset to net cash used in operating activities:	
Change in net assets	\$ (44,716)
Adjustments to reconcile operating income to net cash used in operating activities:	
Depreciation	4,640
Increase in accounts payable	<u>692</u>
 Net cash used in operating activities	<u><u>\$ (39,384)</u></u>

See notes to financial statements

Charter Township of Texas

STATEMENT OF FIDUCIARY NET ASSETS - *Agency Fund*

December 31, 2006

ASSETS

Cash	<u>\$ 4,679,863</u>
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LIABILITIES

Due to other governmental units	<u>\$ 4,679,863</u>
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See notes to financial statements

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Charter Township of Texas, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governments. The following is a summary of the more significant policies.

a) Reporting entity:

The accompanying financial statements present the government and its component unit, an entity for which the government is considered to be financially accountable. The discretely-presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the Township.

Discretely-presented component unit:

Downtown Development Authority:

The component units' governing body is appointed by the Township Board and their budgets must be approved by the Township Board. Separate financial statements for the component unit have not been issued, as management believes that these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of each component unit.

b) Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the Township. The effect of inter-fund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

c) Measurement focus, basis of accounting, and financial statement presentation:

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township generally considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable only when cash is received by the government.

The Township reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Sewer and Water Fund accounts for the financial resources used for the expansion and repairs and maintenance of sewer and water lines located in the Township. Revenues are primarily derived from connection fees.

The Lakes Sewer Debt Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments.

The Rudgate 1, 2, & 3 Debt Fund accounts for the financial resources used for the payment of long-term debt. Revenues are primarily derived from special assessments

The Township reports a single proprietary fund, Building Inspection Fund, which accounts for operations (1) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

c) Measurement focus, basis of accounting, and financial statement presentation (continued):

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board (GASB). Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

The Township reports a single fiduciary fund, Agency Fund, which accounts for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

d) Assets, liabilities, and net assets or equity:

i) Bank deposits - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Pooled interest income is proportionately allocated to all funds.

ii) Receivables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

iii) Prepaid items - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

d) *Assets, liabilities, and net assets or equity* (continued):

iv) *Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets either retroactively to June 15, 1980, or prospectively. The Township has elected to account for infrastructure assets retroactively.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	15 - 60 years
Equipments	3 - 5 years
Vehicles	3 - 20 years
Sewer and water systems	50 years

v) *Deferred revenue* - In the fund financial statements, governmental funds report deferred revenue in connection with resources that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned.

vi) *Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

vii) *Property tax revenue recognition* - Property taxes are levied as of December 1 on property values assessed as of December 31 of the prior year. The billings are due on or before February 14, (with the final collection date of February 28), at which time the bill becomes delinquent and penalties and interest may be assessed by the Township. Property tax revenue is recognized in the year for which taxes have been levied and become available. The Township levy date is December 1, and, accordingly, the total levy is recognized as revenue in the subsequent year.

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The budget document presents information by fund, function, and department. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

The following schedule sets forth significant budget variances:

<u>Fund</u>	<u>Function</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Sewer and Water	Public works	\$ -	\$ 156,423	\$ (156,423)
	Other financing uses	-	100,000	(100,000)
Sewer #5	Public works	-	137,978	(137,978)
Road Improvement	Other financing uses	-	4,000	(4,000)
Eagle Lake	Public works	51,300	53,205	(1,905)
Crooked Lake	Public works	25,510	56,701	(31,191)

The Township has not adopted budgets for the Sewer and Water and Sewer #5 funds.

NOTE 3 - CASH:

The Township and Component Unit's cash are as follows:

	<u>Governmental activities</u>	<u>Fiduciary</u>	<u>Component unit</u>	<u>Totals</u>
Deposits	\$ 5,656,611	\$ 4,679,863	\$ 24,303	\$ 10,360,777

State statutes and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations. The Township's deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by federal depository insurance and are uncollateralized. At December 31, 2006, \$9,160,353 of the Township's bank balances of \$10,453,023 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - RECEIVABLES:

Receivables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<i>Fund</i>	<i>Accounts</i>	<i>Property taxes</i>	<i>Special assessments</i>	<i>Inter-governmental</i>	<i>Totals</i>
Governmental activities:					
General	\$ 29,622	\$ 245,673	\$ -	\$ 127,838	\$ 403,133
Sewer & Water	-	-	186,346	-	186,346
Lakes Sewer Debt	-	-	408,199	-	408,199
Rudgate 1, 2, & 3 Debt	-	-	232,027	-	232,027
Nonmajor funds	-	-	290,848	-	290,848
 Totals	 \$ 29,622	 \$ 245,673	 \$ 1,117,420	 \$ 127,838	 \$ 1,520,553
Component unit:					
DDA	\$ -	\$ 10,058	\$ -	\$ -	\$ 10,058
Noncurrent portion	\$ -	\$ -	\$ 829,682	\$ -	\$ 829,682

NOTE 5 - PROPERTY TAXES:

The Township property taxes are levied each December 1 on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31.

Although the Township 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the Township's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made "available" for the financing of operations.

The 2006 taxable valuation of the Township totaled \$608,284,830, on which ad valorem taxes levied consisted of the following:

<i>Fund</i>	<i>Millage rate</i>	<i>Purpose</i>	<i>Taxes raised</i>
General	0.8583	Operating	\$ 523,745

These amounts are recognized in the financial statements as taxes receivable, with an offsetting credit to deferred revenue.

Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS:

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Governmental activities:				
Capital assets not being depreciated - land	\$ 69,220	\$ -	\$ -	\$ 69,220
Capital assets being depreciated:				
Buildings	508,250	-	-	508,250
Improvements	282,465	-	-	282,465
Furniture and equipment	487,227	177,771	(14,258)	650,740
Vehicles	1,036,481	-	-	1,036,481
Infrastructure	11,187,651	331,862	-	11,519,513
Subtotal	13,502,074	509,633	(14,258)	13,997,449
Less accumulated depreciation for:				
Buildings	(95,214)	(12,706)	-	(107,920)
Improvements	(96,571)	(11,922)	-	(108,493)
Furniture and equipment	(221,976)	(59,851)	7,960	(273,867)
Vehicles	(403,893)	(56,298)	-	(460,191)
Infrastructure	(1,694,855)	(227,380)	-	(1,922,235)
Subtotal	(2,512,509)	(368,157)	7,960	(2,872,706)
Total capital assets being depreciated, net	10,989,565	141,476	(6,298)	11,124,743
Governmental activities capital assets, net	\$ 11,058,785	\$ 141,476	\$ (6,298)	\$ 11,193,963
Component unit:				
Capital assets being depreciated - land improvements	\$ 55,000	\$ -	\$ -	\$ 55,000
Less accumulated depreciation	(2,200)	(1,100)	-	(3,300)
Component unit capital assets, net	\$ 52,800	\$ (1,100)	\$ -	\$ 51,700

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - CAPITAL ASSETS (Continued):

Depreciation expense was charged to functions of the Township as follows:

Governmental activities:	
General government	\$ 38,984
Public safety	93,562
Public works	227,380
Recreation and cultural	<u>8,231</u>
Total governmental activities	<u>\$ 368,157</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:

A summary of interfund transfers for the year ended December 31, 2006, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General	\$ 4,000	Road Improvement	\$ 4,000
Lakes Sewer Debt	100,000	Sewer & Water	100,000
Revolving Improvement	70,000	General	70,000
Crooked Lake	<u>22,958</u>	Lakes Sewer Debt	11,170
		Rudgate 1, 2, & 3 Debt	<u>11,788</u>
	<u>\$ 196,958</u>		<u>\$ 196,958</u>

The transfer to the General Fund represents restricted revenues collected in the Road Improvement Fund to pay for operational costs of the public works functions accounted for in the General Fund.

The transfer to the Lakes Sewer Debt Fund represents support to cover debt service requirements.

The transfer to Revolving Improvement Fund represents designation for future capital projects.

The transfer to Crooked Lake represents a return of funds transferred in prior year to cover debt service costs in the Lakes Sewer Debt and Rudgate 1, 2, & 3 Debt Funds.

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - PAYABLES:

Payables as of year end for the government's individual major and nonmajor funds, in the aggregate, are as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:			
General	\$ 17,868	\$ -	\$ 17,868
Sewer & Water	956	-	956
Nonmajor funds	<u>22,761</u>	<u>13,950</u>	<u>36,711</u>
 Totals	 <u>\$ 41,585</u>	 <u>\$ 13,950</u>	 <u>\$ 55,535</u>
Business-type activities:			
Building inspection	<u>\$ 1,547</u>	<u>\$ -</u>	<u>\$ 1,547</u>

NOTE 9 - DEFERRED REVENUE:

As of December 31, 2006, the various components of deferred revenue are as follows:

<u>Fund</u>	<u>Property taxes</u>	<u>Special assessments</u>		<u>Totals</u>
	<u>Unearned</u>	<u>Unearned</u>	<u>Unavailable</u>	
Governmental activities:				
General	\$ 523,745	\$ -	\$ -	\$ 523,745
Sewer & Water	-	-	176,153	176,153
Lakes Sewer Debt	-	-	370,072	370,072
Rudgate 1, 2, & 3	-	-	215,854	215,854
Nonmajor funds	<u>-</u>	<u>183,756</u>	<u>190,103</u>	<u>373,859</u>
 Totals	 <u>\$ 523,745</u>	 <u>\$ 183,756</u>	 <u>\$ 952,182</u>	 <u>\$ 1,659,683</u>
Component unit:				
DDA	<u>\$ 17,313</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,313</u>

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - NONCURRENT LIABILITIES:

Long-term debt at December 31, 2006, is comprised of the following individual issues:

\$2,910,000 refunding sewer disposal system limited tax general obligation bonds due in annual installments of \$210,000 to \$375,000 starting May 2005, through May 2013; variable interest from 2.50% to 4.00%	\$ 2,205,000
\$750,000 sewer disposal system serial bonds due in annual installments of \$19,000 to \$41,000 starting April 1999, through April 2017; interest at 6.80%	287,000
\$660,000 sewer disposal system serial bonds due in annual installments of \$12,000 to \$36,000 starting April 1999, through April 2017; interest at 6.205%	272,000
Unamortized premium	<u>50,868</u>
Total	<u>\$ 2,814,868</u>

The Township has pledged its full faith and credit for the payment of these bond issues.

Long-term debt activity for the year ended December 31, 2006, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
Governmental activities:					
1999 serial bonds	\$ 328,000	\$ -	\$ (41,000)	\$ 287,000	\$ 41,000
1999 serial bonds	306,000	-	(34,000)	272,000	34,000
2004 refunding bonds	2,535,000	-	(330,000)	2,205,000	345,000
Unamortized premium	<u>58,135</u>	<u>-</u>	<u>(7,267)</u>	<u>50,868</u>	<u>-</u>
Total	<u>\$ 3,227,135</u>	<u>\$ -</u>	<u>\$ (412,267)</u>	<u>\$ 2,814,868</u>	<u>\$ 420,000</u>

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 10 - NONCURRENT LIABILITIES (Continued):

At December 31, 2006, debt service requirements on long-term debt are as follows:

<u>Year ended</u> <u>December 31,</u>	<u>Governmental activities</u>	
	<u>Principal</u>	<u>Interest</u>
2007	\$ 420,000	\$ 105,307
2008	440,000	90,248
2009	430,000	73,990
2010	425,000	57,171
2011	440,000	38,817
2012 - 2014	<u>609,000</u>	<u>32,394</u>
Totals	<u>\$ 2,764,000</u>	<u>\$ 397,927</u>

NOTE 11 - RISK MANAGEMENT:

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The risks of loss arising from general liability of up to \$4,000,000, building contents and property, and workers' compensation coverage are managed through purchased commercial insurance.

NOTE 12 - DEFINED CONTRIBUTION PENSION PLAN:

The Township provides pension benefits for all elected officials, full-time and certain part-time employees, who are eligible to participate after ninety days of employment, and for fire fighters, who are eligible to participate after completing a probationary period. All pension benefits are offered through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Township contributes 10% of each qualified employee's total earnings to the plan. The Township's contributions are fully vested immediately. The Township made the required contributions of \$58,947 for the year ended December 31, 2006.

The Township is not a trustee of the plan, nor is the Township responsible for investment management of plan assets

NOTE 13 - ACCUMULATED DEFICITS:

The Crooked Lake Fund, a nonmajor governmental special revenue fund has an accumulated fund deficit in the amount of \$5,102, which will be eliminated by collections of special assessments. The deficit is the result of expenditures incurred for a well maintenance project prior to the collection of related special assessments. The deficit will be eliminated through the collection of the special assessments in subsequent years.

Charter Township of Texas
NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 14 - PRIOR PERIOD ADJUSTMENTS:

Prior period adjustments have been recorded in 2006 that resulted in fund balance and net asset restatements. Fund equity as of January 1, 2006, included in the financial statements, represents restated balances as presented below. The following schedule identifies the nature and amount of the adjustments recorded.

	<i>Fund balance</i>			
	<i>General</i>	<i>Sewer & Water</i>	<i>Sewer #5</i>	<i>Pretty Lake</i>
Beginning of year, as previously reported	\$ 1,657,435	\$ 1,632,220	\$ 406,410	\$ 142,315
Prior period adjustments:				
Understatement of receivable	-	3,925	331	4,643
Overstatement of deferred revenue	<u>95,861</u>	<u>6,268</u>	<u>591</u>	<u>6,210</u>
Beginning of year, as restated	<u>\$ 1,753,296</u>	<u>\$ 1,642,413</u>	<u>\$ 407,332</u>	<u>\$ 153,168</u>

	<i>Fund balance</i>			<i>Net Assets</i>
	<i>Rudgate 1, 2, & 3</i>	<i>Lakes Sewer</i>	<i>Q Avenue</i>	<i>Governmental Activities</i>
Beginning of year, as previously reported	\$ 165,242	\$ 129,147	\$ 383,293	\$ 14,439,507
Prior period adjustments:				
Understatement of receivable	7,110	11,516	2,209	76,734
Overstatement of deferred revenue	<u>9,063</u>	<u>26,611</u>	<u>5,700</u>	<u>95,861</u>
Beginning of year, as restated	<u>\$ 181,415</u>	<u>\$ 167,274</u>	<u>\$ 391,202</u>	<u>\$ 14,612,102</u>

REQUIRED SUPPLEMENTARY INFORMATION

Charter Township of Texas**BUDGETARY COMPARISON SCHEDULE - General Fund**

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
REVENUES				
Taxes	\$ 640,210	\$ 640,210	\$ 664,432	\$ 24,222
Licenses and permits	55,400	55,400	58,018	2,618
Federal grants	110,081	110,081	107,838	(2,243)
State grants	748,250	748,250	763,078	14,828
Charges for services	64,200	126,900	139,610	12,710
Fines and forfeitures	3,500	3,500	3,282	(218)
Interest and rentals	56,200	121,000	134,586	13,586
Other	1,750	34,250	35,980	1,730
Total revenues	<u>1,679,591</u>	<u>1,839,591</u>	<u>1,906,824</u>	<u>67,233</u>
EXPENDITURES				
Legislative	<u>28,250</u>	<u>28,250</u>	<u>24,027</u>	<u>4,223</u>
General government:				
Supervisor	63,745	64,045	63,108	937
Election	23,300	27,800	28,741	(941)
Assessor	66,340	66,340	62,059	4,281
Clerk	126,285	126,285	112,609	13,676
Board of review	2,920	2,920	1,374	1,546
Treasurer	91,245	91,245	85,062	6,183
Hall and grounds	85,100	85,100	76,370	8,730
Cemetery	18,400	18,400	13,021	5,379
Other	<u>292,725</u>	<u>314,725</u>	<u>281,627</u>	<u>33,098</u>
Total general government	<u>770,060</u>	<u>796,860</u>	<u>723,971</u>	<u>72,889</u>
Public safety:				
Fire	312,157	346,157	333,098	13,059
Police	<u>119,300</u>	<u>133,600</u>	<u>121,315</u>	<u>12,285</u>
Total public safety	<u>431,457</u>	<u>479,757</u>	<u>454,413</u>	<u>25,344</u>

Charter Township of Texas**BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)**

Year ended December 31, 2006

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
EXPENDITURES (Continued)				
Public works:				
Highways and streets	\$ 120,000	\$ 120,000	\$ 64,624	\$ 55,376
Street lights	3,500	3,500	2,943	557
Sanitation and refuse collection	22,600	32,800	33,243	(443)
Total public works	<u>146,100</u>	<u>156,300</u>	<u>100,810</u>	<u>55,490</u>
Community and economic development - planning and zoning	<u>97,600</u>	<u>142,600</u>	<u>123,462</u>	<u>19,138</u>
Recreation and culture - parks and recreation	<u>15,700</u>	<u>15,700</u>	<u>9,119</u>	<u>6,581</u>
Capital outlay	<u>199,581</u>	<u>217,581</u>	<u>175,465</u>	<u>42,116</u>
Total expenditures	<u>1,688,748</u>	<u>1,837,048</u>	<u>1,611,267</u>	<u>225,781</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(9,157)</u>	<u>2,543</u>	<u>295,557</u>	<u>293,014</u>
OTHER FINANCING SOURCES (USES):				
Road Improvement	13,600	13,600	4,000	(9,600)
Revolving Improvement	<u>(70,000)</u>	<u>(90,000)</u>	<u>(70,000)</u>	<u>20,000</u>
Total other financing uses	<u>(56,400)</u>	<u>(76,400)</u>	<u>(66,000)</u>	<u>10,400</u>
NET CHANGES IN FUND BALANCES	<u>(65,557)</u>	<u>(73,857)</u>	<u>229,557</u>	<u>303,414</u>
FUND BALANCES - BEGINNING	<u>1,753,296</u>	<u>1,753,296</u>	<u>1,753,296</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$1,687,739</u>	<u>\$1,679,439</u>	<u>\$1,982,853</u>	<u>\$ 303,414</u>

SUPPLEMENTARY INFORMATION

Charter Township of Texas
COMBINING BALANCE SHEET - nonmajor governmental funds
December 31, 2006

	<u>Special revenue funds</u>		
	<u>Road Improvement</u>	<u>Street Lighting</u>	<u>Eagle Lake</u>
ASSETS			
Cash	\$ 2,588	\$ 65,825	\$ 37,862
Receivables	<u>2,639</u>	<u>36,480</u>	<u>23,847</u>
Total assets	<u>\$ 5,227</u>	<u>\$ 102,305</u>	<u>\$ 61,709</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Payables	\$ -	\$ 5,369	\$ 5,783
Deferred revenue	<u>5,000</u>	<u>85,326</u>	<u>51,600</u>
Total liabilities	5,000	90,695	57,383
Fund balances (deficit):			
Unreserved, undesignated	<u>227</u>	<u>11,610</u>	<u>4,326</u>
Total liabilities and fund balances	<u>\$ 5,227</u>	<u>\$ 102,305</u>	<u>\$ 61,709</u>

<u>Special revenue funds</u>			<u>Debt service funds</u>		<u>Totals</u>
<u>Crooked Lake</u>	<u>Revolving Improvement</u>	<u>Sewer #5</u>	<u>Q Avenue Debt</u>	<u>Pretty Lake Debt</u>	
\$ 28,883	\$ 693,940	\$ 336,484	\$ 380,740	\$ 111,886	\$ 1,658,208
18,095	-	11,504	58,263	140,020	290,848
<u>\$ 46,978</u>	<u>\$ 693,940</u>	<u>\$ 347,988</u>	<u>\$ 439,003</u>	<u>\$ 251,906</u>	<u>\$ 1,949,056</u>
\$ 10,250	\$ -	\$ 14,169	\$ 1,140	\$ -	\$ 36,711
41,830	-	10,582	50,354	129,167	373,859
52,080	-	24,751	51,494	129,167	410,570
(5,102)	693,940	323,237	387,509	122,739	1,538,486
<u>\$ 46,978</u>	<u>\$ 693,940</u>	<u>\$ 347,988</u>	<u>\$ 439,003</u>	<u>\$ 251,906</u>	<u>\$ 1,949,056</u>

Charter Township of Texas**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended December 31, 2006

	<u>Special revenue funds</u>		
	<u>Road Improvement</u>	<u>Street Lighting</u>	<u>Eagle Lake</u>
REVENUES			
Charges for services	\$ -	\$ -	\$ -
Interest	-	-	2,188
Other - special assessments	<u>2,160</u>	<u>72,351</u>	<u>49,412</u>
Total revenues	<u>2,160</u>	<u>72,351</u>	<u>51,600</u>
EXPENDITURES			
General government	250	-	250
Public works	1,039	72,433	53,206
Debt service:			
Principal	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>1,289</u>	<u>72,433</u>	<u>53,456</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>871</u>	<u>(82)</u>	<u>(1,856)</u>
OTHER FINANCING SOURCES (USES)			
Transfer in	-	-	-
Transfer out	<u>(4,000)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(4,000)</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(3,129)	(82)	(1,856)
FUND BALANCES - BEGINNING	<u>3,356</u>	<u>11,692</u>	<u>6,182</u>
FUND BALANCES (DEFICIT) - ENDING	<u>\$ 227</u>	<u>\$ 11,610</u>	<u>\$ 4,326</u>

<i>Special revenue funds</i>			<i>Debt service funds</i>		
<i>Crooked Lake</i>	<i>Revolving Improvement</i>	<i>Sewer #5</i>	<i>Q Avenue Debt</i>	<i>Pretty Lake Debt</i>	<i>Total</i>
\$ -	\$ -	\$ 23,097	\$ 98,675	\$ -	\$ 121,772
-	28,713	30,013	2,912	14,853	78,679
<u>25,810</u>	<u>-</u>	<u>1,373</u>	<u>18,246</u>	<u>17,443</u>	<u>186,795</u>
<u>25,810</u>	<u>28,713</u>	<u>54,483</u>	<u>119,833</u>	<u>32,296</u>	<u>387,246</u>
250	-	600	350	250	1,950
56,701	-	137,978	124	263	321,744
-	-	-	99,000	41,000	140,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>24,052</u>	<u>21,212</u>	<u>45,264</u>
<u>56,951</u>	<u>-</u>	<u>138,578</u>	<u>123,526</u>	<u>62,725</u>	<u>508,958</u>
<u>(31,141)</u>	<u>28,713</u>	<u>(84,095)</u>	<u>(3,693)</u>	<u>(30,429)</u>	<u>(121,712)</u>
22,958	70,000	-	-	-	92,958
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,000)</u>
<u>22,958</u>	<u>70,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>88,958</u>
(8,183)	98,713	(84,095)	(3,693)	(30,429)	(32,754)
<u>3,081</u>	<u>595,227</u>	<u>407,332</u>	<u>391,202</u>	<u>153,168</u>	<u>1,571,240</u>
<u>\$ (5,102)</u>	<u>\$ 693,940</u>	<u>\$ 323,237</u>	<u>\$ 387,509</u>	<u>\$ 122,739</u>	<u>\$ 1,538,486</u>

**SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 CONTINUING DISCLOSURE
(UNAUDITED)**

**Charter Township of Texas
Taxable Value
Fiscal Years Ended December 31, 2002 Through 2006**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Texas Charter Township's Fiscal Years Ended December 31	Ad Valorem Taxable Value	Equivalent Taxable Value of Property Granted Tax Abatement Under Acts 198 and 255 (1)	Total Taxable Value	Percent Increase Over Prior Year
2000	2001	2002	\$ 375,438,769	\$ 10,045,900	\$ 385,484,669	9.17%
2001	2002	2003	419,564,941	8,863,100	428,428,041	11.14%
2002	2003	2004	453,436,715	8,889,000	462,325,715	7.91%
2003	2004	2005	494,059,827	8,889,000	502,948,827	8.79%
2004	2005	2006	536,282,988	8,856,500	545,139,488	7.74%

Per Capita Total Taxable Value for the Fiscal Year Ending December 31, 2006 (2)..... \$49,926

(1) At the full tax rate. See "Tax Abatement".

(2) Based on Charter Township of Texas' 2000 census population of 10,919.

Source: Charter Township of Texas

**Charter Township of Texas
Total Taxable Value by Use and Class
Fiscal Years Ended December 31, 2002 Through 2006**

Use	Fiscal Years Ended December 31				
	2002	2003	2004	2005	2006
Agriculture	\$ 5,360,351	\$ 5,250,638	\$ 4,596,763	\$ 3,455,905	\$ 3,626,590
Commercial	43,259,313	57,425,672	59,959,097	60,591,736	59,868,101
Industrial	8,500,112	8,523,460	8,402,793	7,997,766	8,312,616
Residential	322,578,193	351,559,171	383,090,162	423,894,020	465,538,681
Utility	5,786,700	5,669,100	6,276,900	7,009,400	7,793,500
	<u>\$ 385,484,669</u>	<u>\$ 428,428,041</u>	<u>\$ 462,325,715</u>	<u>\$ 502,948,827</u>	<u>\$ 545,139,488</u>
Class	Fiscal Years Ended December 31				
	2002	2003	2004	2005	2006
Real Property	\$ 369,538,569	\$ 407,908,141	\$ 441,497,915	\$ 484,193,127	\$ 526,463,988
Personal Property	15,946,100	20,519,900	20,827,800	18,755,700	18,675,500
	<u>\$ 385,484,669</u>	<u>\$ 428,428,041</u>	<u>\$ 462,325,715</u>	<u>\$ 502,948,827</u>	<u>\$ 545,139,488</u>

Source: Charter Township of Texas

(UNAUDITED)

**Charter Township of Texas
State Equalized Valuation
Fiscal Years Ended December 31, 2002 Through 2006**

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Texas Charter Township's Fiscal Years Ended December 31	Ad Valorem SEV	SEV of Property General Tax Abatement Under Acts 198 and 255 (1)	Total SEV	Percent Increase Over Prior Year
2000	2001	2002	\$ 432,313,800	\$ 10,045,900	\$ 442,359,700	7.79%
2001	2002	2003	485,838,700	8,863,100	494,701,800	11.83%
2002	2003	2004	539,179,850	8,889,000	548,068,850	10.79%
2003	2004	2005	592,728,900	8,889,000	601,617,900	9.77%
2004	2005	2006	639,561,650	8,856,500	648,418,150	7.22%

Per Capita Total SEV for the Fiscal Year Ending December 31, 2006 (2) \$59,384

(1) See "Tax Abatement".

(2) Based on Charter Township of Texas' 2000 census population of 10,919.

Source: Charter Township of Texas

**Charter Township of Texas
Total SEV by Use and Class
Fiscal Years Ended December 31, 2002 Through 2006**

Use	Fiscal Years Ended December 31				
	2002	2003	2004	2005	2006
Agriculture	\$ 6,888,400	\$ 6,881,200	\$ 6,451,300	\$ 5,851,600	\$ 6,646,500
Commercial	49,837,800	65,264,300	71,056,500	72,451,600	72,887,900
Industrial	8,680,100	8,693,100	8,540,500	9,803,200	9,203,600
Residential	371,166,700	408,194,100	455,743,650	506,502,100	551,886,650
Utility	5,786,700	5,669,100	6,276,900	7,009,400	7,793,500
	<u>\$ 442,359,700</u>	<u>\$ 494,701,800</u>	<u>\$ 548,068,850</u>	<u>\$ 601,617,900</u>	<u>\$ 648,418,150</u>
Class	Fiscal Years Ended December 31				
	2002	2003	2004	2005	2006
Real Property	\$ 426,413,600	\$ 474,181,900	\$ 527,241,050	\$ 582,862,200	\$ 629,742,650
Personal Property	15,946,100	20,519,900	20,827,800	18,755,700	18,675,500
	<u>\$ 442,359,700</u>	<u>\$ 494,701,800</u>	<u>\$ 548,068,850</u>	<u>\$ 601,617,900</u>	<u>\$ 648,418,150</u>

Source: Charter Township of Texas

(UNAUDITED)

Tax Abatement

Charter Township of Texas' taxable value does not include the value of certain facilities, which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198 or Act 255 (the "Acts"). The Acts were designed to provide a stimulus in the form of significant tax incentives to industry and commercial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Acts, a local governmental unit (i.e., a city, village, or township) may establish plant rehabilitation districts, industrial development districts, and commercial redevelopment districts and offer industrial and commercial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

An industrial or commercial facilities exemption certificate granted under either of the Acts entitles an eligible facility to exemption from Ad Valorem Taxes for a period of up to 12 years. In lieu of Ad Valorem Taxes, the eligible facility will pay an industrial facilities or commercial facilities tax (the "IFT Tax" and "CFT Tax", respectively). For properties granted tax abatement under the Acts, there exists separate tax rolls referred to as the industrial facilities tax roll (the "IFT Tax Roll") and the commercial facilities tax roll (the "CFT Tax Roll"), respectively. The IFT or CFT Tax for an obsolete facility, which is being restored or replaced is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the taxable value level prior to the improvements even though the restoration or replacement substantially increases the value of the facility. For a new facility, the IFT or CFT Tax is also determined the same as the Ad Valorem Tax but, instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals $\frac{1}{2}$ of all tax rates levied by other than the state and local school district for operating purposes plus $\frac{1}{2}$ of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals $\frac{1}{2}$ of all tax rates levied by other than the state plus none, $\frac{1}{2}$, or all of the state tax rate (as determined by the State Treasurer). Act 255 expired as an effective statute of the State of Michigan on December 31, 1986, and tax abatements granted to commercial facilities under Act 255 prior to December 31, 1986, have expired.

Charter Township of Texas has established goals, objectives, and procedures to provide the opportunity for industrial and commercial development and expansion. Since 1977, Charter Township of Texas has approved a number of applications for local property tax relief for industrial and commercial firms. Most abatements have been for new industrial facilities. The SEV of properties, which have been granted tax abatement under the Act 198, removed from the Ad Valorem Tax Roll, and placed on the IFT Tax Rolls, totaled \$8,856,500 for the fiscal year ending December 31, 2006. The IFT Taxes paid on these properties is equivalent to Ad Valorem Taxes paid on \$8,856,500 of taxable value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates, the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as taxable value.

**Charter Township of Texas
Maximum Property Tax Rates
Fiscal Year Ended December 31, 2006**

Millage Classification	Millage Authorized	Applicable Millage Reduction Fraction (1)	Maximum Allowable Millage
Allocated Operating	1.0000	0.9927	0.8677

(1) Cumulative.

Source: Charter Township of Texas

**Charter Township of Texas
Property Tax Rates
Fiscal Years Ended December 31, 2002 Through 2006**

Levy December 1	Fiscal Year Ended December 31	Allocated Operating
2001	2002	0.9025
2002	2003	0.8938
2003	2004	0.8846
2004	2005	0.8741
2005	2006	0.8677

Source: Charter Township of Texas

**Charter Township of Texas
Property Tax Collections
Fiscal Years Ended December 31, 2002 Through 2006**

Levy December 1	Fiscal Year Ended December 31	Tax Levy (1)	Collections to March 1 Following Levy	Percent Collected
2001	2002	\$ 346,179	\$ 332,037	95.91%
2002	2003	382,569	364,504	95.28%
2003	2004	408,471	393,200	96.26%
2004	2005	441,680	422,054	95.56%
2005	2006	471,990	453,177	96.01%

(1) Township taxes only. Includes taxes on properties granted tax abatement under Act 198. See "Tax Abatement."

Source: Charter Township of Texas

(UNAUDITED)

**Charter Township of Texas
Ten Largest Taxpayers
Fiscal Year Ended December 31, 2006**

<u>Taxpayer</u>	<u>Principal Product or Service</u>	<u>Taxable Value (1)</u>	<u>% of Total (2)</u>
National City Bank	Financial center	\$ 13,979,147	2.56%
Consumers Energy	Utilities	6,876,957	1.26%
Dana Corp.	Axels and research	8,856,500	1.62%
Bronson Management Services Corp.	Healthcare research	4,131,849	0.76%
Michigan Distribution Partners	Distribution center	3,196,800	0.59%
Pfizer Inc.	Computer center	3,120,500	0.57%
Laboratory Research Inc.	Animal research	3,212,325	0.59%
Twin Star Ice Arena LLC.	Ice recreation and resturant	2,061,850	0.38%
Distribution Center Partners	Distribution center	1,917,400	0.35%
Hidden Valley LLC	Manufactured housing	1,874,917	0.34%
		<u>\$ 66,365,580</u>	<u>9.03%</u>

(1) Includes the Equivalent Taxable Value of property granted tax abatement under Act 198. See "Tax Abatement."

(2) Based on \$545,139,488, which is Charter Township of Texas' Total Taxable Value for its fiscal year ended December 31, 2006. Includes the equivalent taxable value of property granted tax abatement under Act 198. See "Tax Abatement."

Source: Charter Township of Texas

**Charter Township of Texas
Legal Debt Margin
As of December 31, 2006**

Debt Limit (1)		64,841,815
Debt Outstanding	\$ 2,764,000	
Less: Exempt Debt	<u>(2,764,000)</u>	
		<u>-</u>
Legal Debt Margin		<u>\$ 64,841,815</u>

(1) 10% of \$648,418,150, which is Charter Township of Texas' Total SEV for the fiscal year ended December 31, 2006.

Includes the SEV of property granted tax abatement under Act 198. See "Tax Abatement."

Source: Municipal Advisory Council of Michigan and Charter Township of Texas

(UNAUDITED)

**Charter Township of Texas
Debt Statement
As of December 31, 2006**

<u>Charter Township of Texas Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
Special Assessment Bonds:			
Dated May 1, 2004 (Limited Tax)	2,205,000	2,205,000	-
Dated April 1, 1999 (Limited Tax)	287,000	287,000	-
Dated April 1, 1999 (Limited Tax)	272,000	272,000	-
Total	\$ 2,764,000	\$ 2,764,000	\$ -

Per Capita Net Charter Township of Texas Direct Debt (1)..... \$253.14
Percent of Net Direct Debt to Total SEV (2)..... 0.0043%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Township Share</u>	<u>Net</u>
		<u>As Percent of Gross</u>	
Kalamazoo County	\$ 9,300,000	8.06%	\$ 749,580
Kalamazoo School District	137,006,000	4.23%	5,795,354
Mattawan School District	27,570,000	46.25%	12,751,125
Portage School District	32,963,000	9.97%	3,286,411
Schoolcraft School District	19,158,249	6.16%	1,180,148
Kalamazoo District Library	9,020,000	3.74%	337,348
Totals			\$ 24,099,966

Per Capita Net Overlapping Debt (1)..... \$2,207.16
Percent of Net Overlapping Debt to Total SEV (2)..... 0.0372%

Per Capita Net Direct and Overlapping Debt (1)..... \$2,460.30
Percent of Net Direct and Overlapping Debt to Total SEV (2)..... 0.0414%

-
- (1) Based on Charter Township of Texas' 2000 census population of 10,919.
(2) Based on \$648,418,150, which is Charter Township of Texas' Total SEV for the fiscal year ended December 31, 2006. Includes the SEV of property granted tax abatement under Act 198. See "Tax Abatement."
(3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of Charter Township of Texas are liable in addition to debt issued by Charter Township of Texas. The table reflects overlapping debt as of December 31, 2006.

Source: Municipal Advisory Council of Michigan and Charter Township of Texas

(UNAUDITED)

**Charter Township of Texas
Major Employers
Fiscal Year Ended December 31, 2006**

<u>Firm Name</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Kalamazoo Valley Community College	Community College	1,000
National City Bank	Financial center	500
UPS	Freight service	250/300
Dana Corp.	Axles and research	200
Bronson Health and Rehab	Healthcare	130
TLC	Freight service	110
Cracker Barrel	Restaurant	50
Hampton Inn	Lodging	35

Source: Charter Township of Texas

**Charter Township of Texas
Revenues from the State of Michigan
Fiscal Year Ended December 31, 2002 through 2006**

<u>Fiscal year ended December 31</u>	<u>State Shared Revenue</u>	<u>Metro Act</u>	<u>Total</u>
2002	\$ 814,778	\$ -	\$ 814,778
2003	748,589	1,235	749,824
2004	718,582	7,633	726,215
2005	735,728	8,521	744,249
2006	753,815	9,263	763,078

Source: Charter Township of Texas

**Charter Township of Texas
General Fund - Fund Balance
Fiscal Year Ended December 31, 2002 through 2006**

<u>Fiscal year ended December 31</u>	<u>General Fund Fund Balance</u>
2002	\$ 1,511,716
2003	1,459,825
2004	1,500,145
2005	1,657,580
2006	-

Source: Charter Township of Texas

(UNAUDITED)

March 5, 2007

**Members of the Township Board
Charter Township of Texas, Michigan**

In planning and performing our audit of the financial statements of the Charter Township of Texas as of and for the year ended December 31, 2006, in accordance with auditing standards generally accepted in the United States of America, we considered the Charter Township of Texas's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a material weakness.

The Township does not have procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

**Members of the Township Board
Charter Township of Texas, Michigan**

This communication is intended solely for the information and use of management, the Board of Trustees of the Charter Township of Texas, and the State of Michigan Department of Treasury, and is not intended to be and should not be used by anyone other than these specified parties.

Sigfried Crandall P.C.